



OFFICE OF
INSURANCE COMMISSIONER

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Acquisition of:

**PACIFICARE OF WASHINGTON,
INC.**

by

**UNITEDHEALTH GROUP
INCORPORATED**

NO.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW AND ORDER APPROVING
ACQUISITION OF CONTROL**

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I. NATURE OF REVIEW

By filing a Form A (which is the preacquisition notification and application for approval of this proposed acquisition) dated and filed with the Office of the Insurance Commissioner (“OIC”) on July 8, 2005, UnitedHealth Group Incorporated (hereinafter “the Applicant”) sought the Insurance Commissioner’s approval of its proposed acquisition of control of PacifiCare of Washington, Inc., a Washington domestic health care service contractor. The Applicant proposed to acquire control of PacifiCare of Washington, Inc. by a merger of Point Acquisition LLC—a holding company formed for the transaction and wholly owned subsidiary of the Applicant—and PacifiCare Health Systems, Inc., the ultimate parent of PacifiCare of Washington, Inc. Through the merger of Point Acquisition LLC and PacifiCare Health Systems, Inc., UnitedHealth Group Incorporated also will acquire indirect ownership of 100% of the issued and outstanding capital stock of PacifiCare of Washington, Inc.

While RCW 48.31C.030(4) permits the Insurance Commissioner or either party to the transaction to request a hearing on the Form A application, Chapter 48.31C RCW does not require a hearing prior to approval or disapproval of the Form A. To obtain public comment regarding this matter, the Insurance Commissioner held a public meeting on December 19, 2005, at the Tumwater offices of the Insurance Commissioner. Representatives of the Applicant, PacifiCare of Washington, Inc., and the Company Supervision Division of the Office of the Insurance Commissioner presented testimony. Two members of the public provided comments

at the hearing and an additional four public comments were received via electronic mail. All testimony received from the parties to the transaction, the Company Supervision staff, and the public urged the Commissioner to approve the Form A application. There was no testimony in opposition to the transaction.

II. FINDINGS OF FACT

The undersigned Commissioner's designee, having considered the documents and information filed with the OIC, including the Form A Statement Regarding the Acquisition of Control of a Domestic Health Carrier dated and filed with the Commissioner on July 8, 2005, the exhibits to the Form A, responses to inquiries and requests for additional information made by the OIC, information obtained by the OIC on its own initiative, and testimony from the Applicant, PacifiCare of Washington, Inc. and the general public, makes the following findings of fact:

1. PacifiCare of Washington, Inc., is an active Washington domestic health care service contractor. PacifiCare of Washington, Inc. is an indirect wholly owned subsidiary of PacifiCare Health Systems, Inc.
2. Point Acquisition LLC is a holding company created by UnitedHealth Group Incorporated for the purpose of effecting the acquisition of the acquired companies, including PacifiCare of Washington, Inc.
3. If this proposed acquisition of control is consummated, the result will be that PacifiCare of Washington, Inc.'s current ultimate parent corporation, PacifiCare Health Systems, Inc., will be owned by UnitedHealth Group Incorporated. PacifiCare of Washington, Inc. will remain an active Washington domiciled health carrier and will continue to be subject to the jurisdiction of the Washington State Insurance Commissioner.

4. It has been agreed by the ultimate controlling person of PacifiCare of Washington, Inc. that it be acquired by the Applicant.

5. UnitedHealth Group Incorporated filed its Form A on July 8, 2005. Said Form A contains all information required by the Insurance Commissioner and by applicable statutes.

6. The OIC and the Applicant have entered into an Agreement Regarding the Proposed Acquisition of PacifiCare of Washington, Inc. by UnitedHealth Group Incorporated and an amendment (hereinafter "the Agreement") regarding the integration of the operations of PacifiCare of Washington, Inc. with those of the Applicant and its affiliates, which Agreement will become operational concurrently with the effectiveness of this order.

7. After the proposed acquisition of control, PacifiCare of Washington, Inc. will continue to be able to satisfy the requirements for registration as a health carrier as it is currently registered.

8. The effect of the proposed acquisition of control of PacifiCare of Washington, Inc. would not be to substantially lessen competition or tend to create a monopoly in the health coverage business.

9. The financial condition of UnitedHealth Group Incorporated is not such as might, after completion of the proposed acquisition, jeopardize the financial stability of PacifiCare of Washington, Inc. or prejudice the interests of PacifiCare of Washington, Inc. policyholders.

10. After completion of this proposed acquisition, there are no plans or proposals to liquidate PacifiCare of Washington, Inc., sell its assets, consolidate or merge it with any person, or make any other material change in its business or corporate structures or management which are unfair and unreasonable to subscribers of the health carrier or not in the public interest.

11. In light of the Applicant's commitments referenced in paragraph 6, the competence, experience, and integrity of those persons who would control the operation of PacifiCare of Washington, Inc. after the proposed acquisition are such that it would not be contrary to the interests of subscribers of the health carrier or of the public to permit the acquisition of control.

12. The proposed acquisition of PacifiCare of Washington, Inc. is unlikely to be hazardous or prejudicial to the insurance-buying public.

III. CONCLUSIONS OF LAW

The undersigned designee of the Insurance Commissioner, having made the above Findings of Fact, hereby makes the following Conclusions of Law:

1. Pursuant to Chapter 48.31C RCW, the Insurance Commissioner has jurisdiction over the plan of acquisition and change of control of PacifiCare of Washington, Inc.

2. The Applicant filed its Form A on July 8, 2005, which provided a sufficient period before the requested effective date of the proposed acquisition of control, as required by RCW 48.31C.030. Such Form A contains the information required by RCW 48.31C.030(2). The filing was determined by the OIC to be complete as of November 23, 2005.

3. After the proposed change of control, PacifiCare of Washington, Inc. will continue to satisfy the requirements for registration as a health carrier in the same manner it is presently registered as contemplated by RCW 48.31C.030(5)(a)(i).

4. The proposed change in control of PacifiCare of Washington, Inc. will not substantially lessen competition in the health coverage business in this state or tend to create a monopoly in this state, as contemplated by RCW 48.31C.030(5)(a)(ii).

5. The Applicant's financial condition is not such as might jeopardize the financial stability of PacifiCare of Washington, Inc. or prejudice the interests of its subscribers, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(I).

6. The Applicant has no plans or proposals to liquidate PacifiCare of Washington, Inc., sell its assets, consolidate or merge it with any person, or make any other material change in its business or corporate structure or management that are unfair or unreasonable to subscribers of the health carrier or not in the public interest, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(II).

7. The competence, experience, and integrity of those persons who would control the operation of PacifiCare of Washington, Inc. are not such that it would not be in the interest of subscribers of the health carrier and of the public, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(III).

8. The Applicant's proposed acquisition of PacifiCare of Washington, Inc. is not likely be hazardous or prejudicial to the insurance-buying public, as contemplated by RCW 48.31C.030(5)(a)(ii)(C)(IV).

9. The application of UnitedHealth Group Incorporated for approval of its proposed acquisition of control of PacifiCare of Washington, Inc. meets all applicable requirements under Washington law, and therefore should be approved.

IV. ORDER

Based on the Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of this proposed acquisition have been met, and to the effect that approval of this proposed acquisition should be granted, **IT IS HEREBY ORDERED,**

1. That the Agreement Regarding the Proposed Acquisition of PacifiCare of Washington, Inc. by UnitedHealth Group Incorporated and its amendment are incorporated into this Order as if fully set forth herein.

2. That, pursuant to Chapter 48.31C RCW, and the regulations applicable thereto, the Form A application of UnitedHealth Group Incorporated for the Insurance Commissioner's approval of its proposed acquisition of PacifiCare of Washington, Inc., upon the terms set forth in such application, is hereby approved.

3. This Order will take effect upon the Commissioner's receipt of copies of the approval orders of all other states in which Form A applications are pending.

4. Consummation of this transaction may occur at any time after this Order becomes effective.

ENTERED at Tumwater, Washington, this 20th day of December, 2005.

Mike Kreidler
Insurance Commissioner

By: 

James T. Odiorne
Deputy Commissioner
for Company Supervision